

# EXHIBIT 11

HEALTH CARE FINANCING ADMINISTRATION  
OFFICE OF COMMUNICATIONS & OPERATIONS SUPPORT  
DIVISION OF CORRESPONDENCE CONTROL & MANAGEMENT: CONTROL 980121-0703

FROM: BEN CAMPBELL DOL: 01/07/98 DOR: 01/21/98

CONSTITUENT: MICHAEL STONE X-REF:

DUE TO DCCM: DUE OUT: 02/11/98

ORG: SENATOR PROVIDER NO:

COLORADO  
SUB: CONCERNING PROPOSED REDUCTION IN MEDICARE PAYMENT FOR DRUGS  
ADMINISTERED IN PHYSICIAN OFFICES...CLM RC:

KW:

REF FROM: DIR REPLY: DIRECT REPLY HCFA OUT:

SENT TO	REFER	DUE	SENT TO	REFER	DUE
1. *CHPP	01/21/98	02/11/98	5.	_____	_____
2. <u>OL</u>	<u>3/5</u>	_____	6.	_____	_____
3. _____	_____	_____	7.	_____	_____
4. _____	_____	_____	8.	_____	_____

FYI: OL;MAT;GB;FILE

COMMENTS:  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_



## DEPARTMENT OF HEALTH &amp; HUMAN SERVICES

Health Care Financing Administration

Washington D.C. 20201 - 0001

FEB 11 1999

The Honorable Ben Nighthorse Campbell  
 United States Senate  
 Washington, DC 20510

Dear Senator Campbell:

Thank you for your recent letter concerning the legislative proposal contained in the President's FY 1999 budget to eliminate excessive Medicare reimbursement for drugs.

While Medicare does not have an expansive outpatient drug benefit, it does cover outpatient drugs that are furnished by a physician, oral cancer drugs, and certain specific drugs (e.g., those that are used with home infusion or inhalation equipment).

In a December 1997 report, the Inspector General of the Department of Health and Human Services found that Medicare currently pays hundreds of millions of dollars more than would be paid if market prices were used for 22 of the most common and costly drugs (many of which are used for chemotherapy). The Inspector General found that for more than one-third of the drugs studied Medicare pays more than double the actual acquisition costs of physicians and suppliers who bill Medicare for these drugs. The Inspector General found that Medicare's payment for these drugs, which is based on the "average wholesale price" (AWP), is substantially more than what the physician or supplier who furnishes the drug pays for it.

Although the Balanced Budget Act of 1997 reduced Medicare's payment for drugs to 95 percent of the AWP, it did not go far enough to eliminate physician mark-ups. The President's FY 1999 proposal would eliminate the mark-up by basing Medicare's payment on the actual acquisition cost of the physician or supplier. It should be noted that this proposal deals only with the cost of the drug itself. Medicare also makes a separate payment to physicians for the "administration" of cancer drugs which recognizes the resources involved with ordering, storing and handling and performing other tasks associated with administering such drugs. We do not believe that the President's FY 1999 proposal would have adverse consequences since it would pay physicians their costs for acquiring drugs but eliminate their mark-ups in furnishing them to beneficiaries.

I hope that this information is helpful to you.

Sincerely,

Debbie Chang  
 Director, Office of Legislation

BEN NIGHT HORSE CAMPBELL  
COLORADO

# United States Senate

WASHINGTON, DC 20510-0605

January 7, 1998

CH 703

Ms. Debbie Chang  
Director, Congressional Affairs Division  
Health Care Financing Administration  
U.S. Dept. of Health and Human Services  
Room 341 H, 200 Independence Avenue, S.W.  
Washington, D.C. 20201

Dear Ms. Chang:

Enclosed is a copy of correspondence which I have received from Michael Stone and Robert Rifkin concerning proposed reductions in Medicare payment for drugs administered in physician offices.

Your review of this material and any suggestions for replying to this letter would be helpful. If there are questions, please contact Vivian Otteman of my staff at #202-224-0513. A reply, in duplicate, to Vivian's attention would be appreciated.

Many thanks for your assistance in this matter.

Sincerely,

  
Ben Nighthorse Campbell  
U.S. Senator

BNC:vo

RECEIVED  
REVIEWED  
APR 16 1968  
EX-REF LIBRARY

1129 PENNSYLVANIA STREET  
DENVER, CO 80203  
303/866-1900

19 OLD TOWN SQUARE  
SUITE 238, #33  
FT. COLLINS, CO 80524  
303/224-1909

300 MAIN STREET  
SUITE 306  
GRAND JUNCTION, CO 81501  
303/241-6631

105 E. VERMIJO  
SUITE 600  
COLORADO SPRINGS, CO 80903  
719/636-9092

720 N. MAIN STREET  
SUITE 402  
PUEBLO, CO 81003  
719/542-6987

*Health*

2547 56th Ave.  
Greeley, Co. 80634  
Dec. 18, 1997

The Honorable Ben Campbell  
United States Senate  
Washington, D.C. 20510

Dear Senator Campbell:

President Clinton has recently announced that he will seek to further reduce the Medicare payment for drugs administered to patients in physician offices. As a medical oncologist treating cancer patients with chemotherapy, this will have a severe negative impact on my practice and on the care medicare patients will receive. In addition, I suspect that little if any money will actually be saved.

Currently almost all chemotherapy is administered in the most cost effective setting, namely the physician's office. Under the current system, we are reimbursed a very small amount above the price of the medications we use (which we purchase ourselves) but receive no reimbursement for supplies or nursing costs. The 1998 Medicare budget already calls for a 5% reduction in our drug reimbursement. The new proposals will further reduce this amount by basing reimbursement on a theoretical acquisition cost which will result in out of pocket losses to us.

Obviously, no business can operate at a loss. The effect of these changes will be that medicare patients will receive inferior care because of financial considerations, and that there will be a shift of treatment back to the more expensive hospital setting, which will negate any anticipated savings.

Please consider how you would wish a family member with cancer to be treated. Financial concerns must not be a way to ration care for life threatening illnesses. We are making steady progress in the fight against cancer. The administration proposal is a step backward in this battle. I would appreciate your help in opposing it.

Sincerely,

*Michael Stone*

Michael Stone M.D.



1997 3 112

December 22, 1997

The Honorable Ben Nighthorse Campbell  
United States Senate  
Washington, D.C. 20510

Dear Senator Campbell:

President Clinton recently announced that he will seek legislation to further reduce the Medicare payment for drugs administered to patients in physician offices. As an oncologist treating cancer patients, I administer a large number of chemotherapy drugs. I am very concerned about how this proposal may adversely affect my practice and patients.

The Administration proposal would supposedly base Medicare payment on the "actual acquisition cost" of the drugs, but this term would be defined in a way that would cause oncologists to suffer out-of-pocket financial losses. Congress rejected this defective proposal last year and instead passed a 5% reduction. The Administration, however, wants additional reductions.

Oncologists already incur losses resulting from the inadequate medicare payment for the nurses and supplies involved in administering chemotherapy. The combination of these losses and the payment reductions proposed by the Administration would result in a very difficult financial situation for my practice.

The Administration proposal would be harmful to cancer treatment. I would appreciate your help in opposing it.

Sincerely,

  
Robert M. Rifkin, M.D.

RMR/frmt1



RMCC - Aurora  
750 Potomac Street, #120  
Aurora, Colorado 80011  
303 343-7050 ~~TX~~  
303 343-7023 Fx

Nicholas J. DiBella, M.D.  
David C. Faragher, M.D.

750 Potomac Street, #120  
Aurora, Colorado 80011  
303 340-3030 ~~TX~~  
303 343-3863 Fx

Susan Myers Freeman, M.D.  
Eduardo R. Pajon, Jr., M.D.

RMCC - Denver  
1500 17th Street  
Denver, Colorado 80202  
303 274-5929 ~~TX~~  
303 274-5923 Fx

Albert A. Bentzen, M.D.  
Marvin P. Bennett, M.D.  
Kris M. Bins, M.D.  
David H. Charnofsky, M.D.  
Laura M. Einhorn, M.D.  
Peter J. Glatstein, M.D.  
John H. Scherzer, M.D.

RMCC - North  
9025 Grant Street, #294  
Thornton, Colorado 80229  
303 252-8624 ~~TX~~  
303 252-8628 Fx

RMCC - West  
8015 W. Alameda Avenue, #260  
Lakewood, Colorado 80226  
303 274-5929 ~~TX~~  
303 274-7766 Fx  
Stephen J. Frank, M.D.  
Alvin L. Otsuka, M.D.  
Russell C. Tolley, M.D.

RMCC - Rose  
4545 E. Ninth Avenue, #220  
Denver, Colorado 80220  
303 393-1776 ~~TX~~  
303 393-0832 Fx

Susan Myers Freeman, M.D.  
Jeffrey V. Matous, M.D.

RMCC - South  
701 E. Hampden Avenue, #210  
Englewood, Colorado 80110  
303 788-4200 ~~TX~~  
303 788-7301 Fx

2555 S. Downing Street, #100  
Denver, Colorado 80210  
303 744-2447 ~~TX~~  
303 744-2493 Fx

Robin J. Kovach, M.D.  
Richard T. McMahon, M.D.  
David M. S. Nease, M.D.